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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/08

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Business Improvement District Property Types SB 417

ANALYST Wilson

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|---------|---------|-------------------------|------------------|
| FY08 | FY09 | FY10 | | |
| | Unknown | Unknown | Recurring | Albuquerque |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
 Economic Development Department (EDD)
 New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

Senate Bill 417 amends existing enabling legislation for municipalities to create a Business Improvement District (BID). The bill will redefine residential properties currently exempt from the imposition of taxes created through the creation of the BID.

Specifically, it removes the residential exemption for multifamily residential rental property with at least four units or homeowners associations of multifamily ownership properties.

FISCAL IMPLICATIONS

The proposed amendment will help to address the potential of declining assessments in districts where large residential units are being constructed or existing commercial building stock is going through conversion to residential. The usual issues that a BID addresses, safety and security, cleanliness and health within the district's public spaces are jeopardized if the BID revenue stream declines or is eliminated.

There is currently only one BID in the state in downtown Albuquerque. This will be the only BID that currently will need to amend its current ordinance if it wished to pursue with its municipality a change in its assessment regulations.

SIGNIFICANT ISSUES

Changes of use in buildings from strictly commercial to mixed use and conversion of former commercial buildings to residential uses could erode the assessment income within a BID boundary reducing its services and effectiveness in addressing the issues the BID was created to resolve. Yet, services to those same buildings and residents provided by the BID remain the same. In larger town centers where abandoned, vacant or under-utilized commercial building stock is common, residential conversion is often a strategy that large building property owners utilize to financially bring the building back into productivity.

New BID ordinances will reflect the change in the enabling legislation for municipalities. BID legislation already passed to incorporate this new assessment regulation will require the municipality to amend its local ordinance through notice and public hearing as stated in the existing state statutes; Section 3-63-10 NMSA 1978.

This bill expands the types of property that can be assessed a business improvement district benefit assessment fee by including multifamily residential rental property with at least four units or homeowners associations of multifamily ownership properties. One issue is that the bill also provides that residential real property located within an existing district that became eligible for a business improvement benefit fee assessment after the district was created, may be included if the ordinance that created the district is amended to include the new business or property after notice and hearing in accordance with Section 3-63-10 NMSA 1978.

ADMINISTRATIVE IMPLICATIONS

Administrative functions will be at the municipal level.

DW/jp